

St. Louis Area Expansion Process

On August 26, 1998, the Commission initiated the process of publicly reviewing the proposals for new casinos in the St. Louis metropolitan area. The first public presentation was by Lady Luck for its proposal in unincorporated Jefferson County. No one appeared in opposition to Lady Luck's proposal.

Over the next two years, the Commission would hear testimony from every applicant wishing to appear as well as citizens, private organizations and community leaders wishing to express support or opposition for a particular project. Each applicant made several presentations to the Commission and staff. In addition to public meetings, the Commission staff met with anyone requesting a meeting to discuss detailed information about the proposals and to allow everyone ample time to present their views in support or opposition of particular proposals.

The process included an analysis of the St. Louis metropolitan market to determine whether it could support another casino. This analysis revealed that there is an underserved market in the far south region of the St. Louis metro area.

The St. Louis metropolitan area is currently served by five gaming facilities. All five facilities are located in the northern region of the St. Louis area, four of which are compacted into two areas on each end of the I-70 corridor. On the Missouri side, nearly 80% of the gaming capacity is located within one mile of the Blanchette Bridge in the northwest portion of the metro area.



Based on its analysis of the Missouri markets and gaming market studies in other states, the staff found a strong correlation between convenience and the number of casino patron visits per year. While the current facilities attract some patronage from residents in the southern region of the metro area, the percentage of the population they attract is far less than that of those who reside in the northern region. Furthermore, patrons residing in close proximity to the existing casinos are visiting Missouri casinos more than twice as often as their neighbors in south St. Louis County and three times more often than Jefferson County residents.

The southern visitors represent a larger portion of the customer base of the President Casino than either Station Casino St. Charles or Harrah's Maryland Heights. This is due in large part to the President's narrow drawing area along the I-55 corridor, primarily to the south. The President's market is constricted because it is cut off to the west by the more conveniently accessed facilities in Maryland Heights and St. Charles. Furthermore, it has found it difficult to draw from

north St. Louis County because of the ease of access to the Maryland Heights/St. Charles facilities via I-270 and because of the ease of access, customer loyalty and fewer restrictions offered by the Illinois casinos in Alton and East St. Louis.

The President's primary drawing area is to the south along I-55. Even here, its ability to draw frequent visitors is limited to a 13-mile stretch directly along I-55 to the south. For a variety of reasons, the President's drawing power falls off quickly beyond 13 miles south.³¹ Therefore, any new casino development located in the heart of the President's primary market would almost certainly put the struggling but still profitable President out of business.

Selection of Isle of Capri – Jefferson County as Priority for Investigation

On July 26, 2000 the Commission concluded its review of the St. Louis area applicants by selecting the Isle of Capri – Jefferson County as a priority for investigation. The reason for the recommendation in the simplest terms is that this project provides the State of Missouri with the most net economic benefit. Furthermore, the project has had the consistent support of the Jefferson County government and the opposition to the project was not nearly as evident as those objecting to the two St. Louis County proposals.

The media has recently directed its focus on the objections of the business owners and residents of Kimmswick. However, transcripts of Gaming Commission meetings clearly show that Kimmswick's 135 residents and its representatives, when compared to the opponents of the two St. Louis County casino proposals, were noticeably absent from the debate.

Opponents of the St. Louis County locations were present at nearly every Commission meeting for over a year. As presentation time during Commission meetings is sometimes limited because of busy agendas, the St. Louis County casino site opponents regularly requested meetings with staff to allow their members more time to express the particulars of their concerns.

The Lemay site in particular is characterized with an active group of residents near the proposed casino site that are adamant in their belief that the casino will destroy the current environment in their neighborhood and have significant negative impact on their quality of life. Included in this group is a large contingent of nuns residing on the School Sisters of Notre Dame campus.

Sr. Ruth Speh provided the Commission with a moving summary of the resident's plea. She noted that there are 16 schools, churches and day care centers within a one-mile radius of the proposed

³¹ As a downtown casino, the President faces a number of challenges not posed to suburban casinos. It must deal with a built infrastructure that limits parking options and traffic patterns. Perhaps more importantly, it suffers from being in an area with low residential population. While it benefits from tourist and convention traffic, it does not have the luxury of a large local residential population. However, the Commission believes it is important for the downtown metropolitan tourism, convention and business districts to have a casino. It provides necessary jobs for city residents and is an important part of the convention and visitors trade.

Lemay casino. The casino is less than five hundred yards from the School Sister's motherhouse. Sr. Ruth explained that this is a special place for the nuns:

*"This is a house of prayer and ministry. This is where we were trained, and where we were sent out to work. To teach, to work with the elderly, the poor, the sick. This is where we return after fifty or sixty years of service, to wait out our last years in prayer and quiet meditation. This is where we will be buried."*³²

³² Missouri Gaming Commission transcript, June 28, 2000, page 14.

Unlike the opponents of the Jefferson County site who appeared at only one meeting, the School Sisters appeared at nearly every Commission meeting for more than a year. Their public testimony included an impassioned plea from Sister Genevieve Cassani, who noted that more than 600 religious women, more than four times the population of Kimmswick, call the motherhouse, located a short distance from the proposed Lemay casino, their home. She stated that a short distance from the proposed casino entrance, the School Sisters operate an all girls' high school, a preschool, a tutorial center, a head start program, a conference and a retreat center.

In contrast, the Isle of Capri – Jefferson County project is not in Kimmswick, and the patron traffic going to and from the casino will not travel through Kimmswick. Traffic has been designed to travel along a new, four-lane road located in Jefferson County and circumventing Kimmswick. Isle of Capri is under a commitment to pay for the road. Ample evidence exists in St. Charles and Alton, Illinois that historic business districts can co-exist with riverboat casino projects.³³ Both of these historic districts continue to thrive despite the close proximity of a casino.

In addition to the School Sisters of Notre Dame, who opposed both locations in South St. Louis County, but focused particularly on the Lemay site, the Commission received a large volume of testimony and written opposition to the St. Louis County sites from the Rally Against Gambling Expansion (RAGE).

It must be noted that the Lemay proposal also enjoys enthusiastic support from a large number of public officials, including the County Executive and the President of the County Council, as well as many residents and community groups. However, the support must be considered along with the opposition and it can be safely said that Lemay is clearly divided on this issue.

While the Isle of Capri proposal for the site near the Jefferson Barracks Bridge faced opposition similar to that of the Lemay site, it also faced a different form of opposition. This

³³ Since the St. Charles casino has opened the Commission has received only one complaint from store owners in the historic St. Charles business district. The area continues to thrive. Similarly, Alton business have welcomed its riverboat casino. Letters in support of the casino were submitted to the Illinois Gaming Control Board by the Alton Marketplace Association, Pride Incorporated (a local, non-profit organization dedicated to community beautification), the River Bend Growth Association, Baxter's (a family owned retail business in Alton) as well as a number of other business and community organizations.

proposal faces a myriad of potential legal problems arising out of its lack of support from the St. Louis County government. St. Louis County has entered into an exclusive lease agreement with Ameristar for the Lemay site. Under the terms of that agreement, St. Louis County is prohibited from endorsing another site. Furthermore, Isle does not have the appropriate zoning for the site and St. Louis County would have to approve an amendment to the zoning ordinance for the project to move forward. To further complicate the problem, SB 902, passed in the last legislative session, requires that an applicant comply with all local zoning ordinances prior to licensure.

Net Economic Benefit

Because of the negative impact the two St. Louis County proposals would have on the President Casino in St. Louis, the Commission determined that the Jefferson County site provides the State of Missouri with the most new public revenue at \$16.9 million. This is only slightly more than the \$16.4 million estimated for the Lemay project.

However, because the Lemay project would result in the eventual closure of the President, one must consider the impact on total casino payrolls. In this regard, the Jefferson County project stands alone as the clear leader. It will provide jobs that will generate new payroll income of \$24.3 million with no loss of jobs to other casinos.

This is in contrast to the Lemay proposal, which, because of the loss of jobs on the President, will generate new payroll income of only \$9.4 million. These jobs lost because of a President closure would not be replaced by the new casino since it would already be operational and at full employment when the President goes out of business.

The staff also gave consideration to the fact that Jefferson County is the second fastest growing county in the state. This is important for two reasons. First, it is an indication that the casino will be placed in an excellent location to take advantage of future growth. Secondly, the local revenue generated by the casino will help the county address pressing public infrastructure needs. The county is sorely in need of a funding for its newly created sewer district as over 50% of the septic systems in Jefferson County are failing.

The Commission's charge is to select that applicant that best serves the interests of the citizens of Missouri.³⁴ The Jefferson County project produces the most new revenue for the state and prevents Illinois from gaining an even greater competitive advantage over Missouri. Illinois



³⁴ Section 313.805(1), RSMo.

residents account for only 24% of the total population of the St. Louis metro area, yet Illinois casinos capture 39% of the gaming market in the St. Louis metro area. By choosing the Jefferson County site, Missouri recaptures gaming market share currently being lost to Illinois without surrendering a significant portion of the President's market share to Illinois.